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FORMER OPERATORS OF LT'S BAR PLEAD GUILTY TO FEDERAL TAX CONSPIRACY

ROCKFORD -- PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, together with JOSE A. GONZALEZ, Acting Special Agent-In-Charge, Criminal Investigations, Internal Revenue Service, today announced:

THOMAS PRIOLA, 39, Rockford, and **LYNNANN GAGE** (nee Priola), 37, Carlsbad, California, pleaded guilty today in federal court to conspiring with each other and with their father, Philip M. Priola, the former owner of LT's Bar and Grill, between 1992 and 1998 to defraud the IRS out of income, F.I.C.A., Medicare, and employer taxes, by skimming hundreds of thousands of dollars of the bar's receipts and submitting false tax returns which failed to report the receipts.

In pleading guilty today, Thomas Priola and Gage admitted that they had secretly skimmed receipts of L.T.'s Bar, a bar located at 1011 South Alpine Road, Rockford, Illinois. According to their plea agreements, they and Philip Priola filed state sales tax returns and federal income tax returns for L.T.'s Bar that did not report the skimmed receipts as income. Tom Priola and Gage further admitted that they and Philip Priola secretly took substantial amounts of the cash and did not declare the cash as their own income. The defendants also admitted to using some of the skimmed receipts to pay employees of L.T.'s Bar their wages in cash and filed employer's tax returns for L.T.'s Bar with the IRS that did not include the cash wages or pay over F.I.C.A., Medicare, and employer taxes that were due. Both defendants admitted to secretly maintaining a second set of books that recorded the skimmed receipts and cash wages.

Thomas Priola and Lynnann Gage each face a maximum penalty of 5 years in prison without the possibility of parole, followed by 2 to 3 years of supervised release, and a fine of up to \$250,000. They are also subject to the payment of costs of prosecution as well as the civil collection of all taxes, penalties, and interest due. The actual sentence will be determined by the United States District Court, guided by the federal Sentencing Guidelines and the Federal Rules of Criminal Procedure.

Sentencing of Thomas Priola has been set for December 17, 2004, at 11:30 a.m. Sentencing of Gage has been set for December 23, 2004, at 1:30 p.m. The case was investigated by Special Agents of Criminal Investigations of the Internal Revenue Service, and is being prosecuted in United States District Court by Assistant United States Attorneys JOHN G. McKENZIE and MICHAEL LOVE.

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